THE EUROPEAN COAL AND STEEL COMMUNITY AND ITS COMMON MARKET

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Before entering "in medias res" of the subject I have the honour to expound before you I should like to say a very special word of thanks for its invitation to the Swedish Section of the European Youth Campaign and particularly to Mr. Bert EKENGREN who has arranged for this session. Personally I am delighted by this my first visit to Sweden, which although unfortunately rather short, has given me the opportunity to admire the beauty of the town of Stockholm and the charm of the surrounding country. As an official of the High Authority of the European Coal and Steel Community I appreciate the opportunity of strengthening the relations between this institution and the European Youth Organization of Sweden, a country which, owing to its economic structure and its external trade relations necessarily follows with great attention the development of the experience which began with the setting-up of a common market for coal and steel between six European countries.

Indeed, a short glance at the export statistics of this country shows that in the last year 9.4 million tons of Swedish iron ore went to countries of the Community - that is, nearly 60% of Sweden's total exports of iron ore and more than 50% of its total production. In the same year Sweden has exported 317 000 tons of iron and steel products of which 92 000 tons, or nearly 30%, have been sold in the countries of the common market. On the import side we notice that 2.7 million tons of hard coal and coke - 50% of its total coal imports - have been bought by Sweden in the area of the common market. The imports of iron and steel products from Community countries have attained 560 000 tons, or 2/3 of total steel imports, against a production of crude steel of 2.2 million tons.

These few indications show clearly enough the important economic links that exist between the Swedish economy and the European Coal and Steel Community.

As you all know, the establishment of the European Coal and Steel Community was, as is stated in the preamble to the Treaty which laid its foundations, the translation into concrete terms of the desire of six European States (Germany, Belgium, France, Italy, Luxemburg and the Netherlands) "to substitute for historic rivalries a fusion of their essential interests; to establish by creating an economic community, the foundation of a wider and deeper community among peoples long divided by bloody conflicts; and to lay the bases of institutions capable of giving direction to their future common destiny".

The starting point of this common policy was the setting-up of a common market for coal and steel, a notion which results from the acknowledgement of a threefold need:

1) the need for a wider market;
2) the need for a common economic order;
3) the need for integration of the economic and social objectives of this common economic order.

1) The need for a wider market. Taking a general look at the economic history of Europe one might interpret the development of economic organization as a road which has led from small independent and undifferentiated economic units to larger and more differentiated bodies whose interdependence has been increasing with the progress of the division of labour. Thus we have passed from the closed and nearly independent domestic economy of the early middle-ages, through the more specialized and differentiated form of the town-economy, to the highly specialized and differentiated national economies of the 20th century.

It is noteworthy that already at the very beginning of the industrial revolution which at the end of the 18th century set in motion the evolution which has finally led to the modern industrialized national economies, some of the greatest economists of the day, such as Adam Smith and David Ricardo, had clearly foreseen the economic imperatives which this revolution has increasingly imposed in the field of economic organization, that is to say the need for a widening of the market. They had indeed realized that the productivity of economic activity is governed by the degree and the rationality of its division of labour - or, as we should say to-day, its specialization, and that these are, in their turn, dependent on the size of the market.

But as happens very often, scientific thought was in advance of real evolution. Thus this fundamental economic law and the economic transformations which were implied by it, were not accepted without resistance. Barriers had to be removed, opposing interests had to be reconciled, resistances had to be broken before the modern national economy emerged from the amalgamation and integration of local and regional economies.

To-day we know that we have reached a further stage of this evolution, in which the bounderies of the national economies have themselves become too narrow, if the peoples of Europe want to keep up with the dynamic evolution we observe in the large integrated economic areas of the United States of America and the Soviet Union.

Professor Ingvar SVENNILSON, a University teacher of this country, has shown only recently in a very interesting and valuable study for the ECE that the stagnation and slow growth of European Economy since the first world war was essentially due to the economic boundaries and barriers splitting up this continent, that it was, in other words, the price the peoples of Europe had to pay for economic disintegration.

Indeed, it is impossible to make the most of the advantages offered by modern production methods, such as increasing productivity and with it a higher standard of living, except in a market big enough to provide larger sales outlets for more powerful and more specialized production units, enabling them thus to lower their production costs by using the plant best suited to mass production.

In order to bring about a broader European market, at present limited to coal and steel, the first step required was to break down the barriers between the now partially integrated economies. To ensure that products - and under certain conditions, workers - would be able to move freely within this enlarged market, it was necessary to abolish and prohibit a considerable number of impediments traditionally bound up with the layout of the political frontiers and the autonomous economic policies of the different countries: customs duties, quantitative restrictions on trade, currency restrictions, various types of administrative impediments, breaks in transport rates at frontiers, restrictions on the movement of workers, etc.

It is true that, at the opening of the common market for coal and steel, there were practically no customs duties on coal, iron ore and scrap, and duties on steel had mostly been suspended.

But on the other hand, quantitative restrictions were in general imposed both on imports and exports. For coal nearly all the countries had a system of import and export licences. France controlled and limited its iron-ore exports. The Benelux countries had import licences for steel. France banned all steel imports and limited exports. As a rule none of the six countries permitted exports of scrap to each other.

Restrictions on foreign exchange equally, were in force and had to be removed, so that a shipyard in, say, Rotterdam or Saint-Nazaire wishing to buy plate from the Ruhr, or a manufacturer in Munich who now got better terms in Lorraine or the Saar, would procure as many marks or francs as he required. The member states undertook to arrange for the necessary transfers, irrespective of their own internal regulations or their position with regard to the European Payments Union.

All these restrictions and impediments have been abolished, with the exception of some transitional provisions allowing for instance Italy, to retain customs duties on iron and steel products and on coke. But even in these cases care has been taken to ensure that the impediments temporarily maintained shall be progressively reduced and completely abolished at the end of a transitional period of five years.

However, it was not sufficient merely to do away with these obstacles inherited from the past.

Indeed, the basic conditions of modern economy have been too profoundly changed in the last 50 years to make it possible to restore the old self-adjusting mechanism of market factors making for general equilibrium. In a modern economy, production, particularly in the industrial field, is concentrated in large units which by concerted action or by measure of commercial warfare exercise a decisive influence on economic development. On the other hand, government intervention may affect economic processes in many ways, so that the level of economic activity is largely influenced by government decisions and influence. That is to say that even if international trade were completely liberated, it would still be exposed to the unilateral actions of the different states.

But, even if it were possible, to restore the mechanism of self-adjusting factors as it operated before the first world war, there is no doubt that the effects of these automatic adjustments on the level of income and employment would not be accepted by the vast majority of the european population.

Therefore, a common foundation had to be laid for economic development in the future.

Indeed, the removal of the old barriers only meant that the outer framework of a wider market was now fixed. For this wider market to become a common market there must be common rules, binding upon all concerned, to govern its operation and guide its development. In other words there was

2) The need for a common economic order. To ensure that these common rules should be observed it was necessary to go beyond the traditional methods of international co-operation and to establish common institutions with real power of decision.

You all know these institutions of the European Coal and Steel Community. So I might confine myself to reminding you of their principal tasks and attributions:

The High Authority constitutes a kind of federal government whose competence is limited to coal and steel. It consists of nine members and is independent of the national governments. It takes its decisions by majority vote but it can only take them after very wide consultations, notably with a Consultative Committee of producers, consumers and workers, which is attached to it. It must also make all its decisions public.

Such an authority with real powers of decision must be subject to democratic checks. There are exercised by the Common Assembly, the members of which are designated by the different national parliaments. It follows the High Authority's policy step by step, mainly through parliamentary Committees, and it can, by a vote of censure, compel the High Authority to resign in a body.

This parliamentary check is completed by a juridical control. Governments, individuals and enterprises can appeal against any decision of the High Authority before the Court of Justice. The decisions of this court of seven Judges are directly enforceable, throughout the Community area. Their judgements in all cases, whether for or against the High Authority, are final.

A partial economic integration, such as the European Coal and Steel Community raises problems of harmonizing the action of the executive institution with those of the Governments responsible for the general economic policy of their countries. These problems are dealt with at meetings of the Special Council of Ministers of the Member States. In certain specified cases, the High Authority can act only with the agreement of the Council of Ministers. In nearly all cases the Council is required to take its decisions by majority vote.

By the end of 1952, that is to say less than six months after the implementation of the Treaty, these institutions were already established and had started to work.

The common market was established for coal, iron ore and steel scrap on February the 10th 1953, for steel on May the 1st, of the same year and for special steels on August the 1st, 1954.

After the removal of the impediments above mentioned the common rules of operation and development had now to be applied.

The rules laid down in the Treaty, in conformity with the principles generally followed in the Member States of the Community, are rules of competition, for, as is stated in article 2 of the Treaty, "the Community must progressively establish conditions which will by themselves assure the most rational distribution of production at the highest possible level of productivity".

The object of the rules of operation is to ensure the transparency of the market and the fluidity of supply and demand. That is to say, the buyer must be in a position to select his supplier as rationally as possible, in full knowledge of the prices and conditions of sale, and of the transport terms, of all potential suppliers. The producer must be able to sell his goods wherever he is likely to find it to his advantage.

Thus the rules of operation relate on the one hand to the behaviour of producers, buyers and carriers in that they oblige them to publish their prices and conditions of sale and prohibit discriminatory practices, particularly in the form of dual pricing.

Before the establishment of the common market all kind of discriminations were practiced. France, for instance, used to sell iron ore to Belgium and Luxembourg at a higher price than to French works, and German coal was more expensive when it was exported. As regards steel, German and Belgian plate was exported at a price nearly 30% higher than the figure charged on the home market. French steel exported to Germany was sold at prices comparable to German home prices, which were well above French prices, and so on.

To ensure that the operation of the common market leads to a rational and economic movement of products it was equally necessary to remove a great many of discriminations in the transport field, because the consumer selects his supplier not on the basis of the published ex-works or ex-colliery price of the producer but on the basis of the delivered price which includes transport-cost from the work or colliery to the location of the consumer.

Before the establishment of the common market, the transport costs for Lorraine ore going to Belgium or Luxembourg, for instance, were higher over the distance covered within France than those for ore on its way to French works. Again, coal from Lorraine and the Saar carried in Germany went at the standard rate, instead of getting the cheaper rate allowed on German coal.

The most important of these discriminations were suppressed, as regards rail traffic, upon the establishment of the common market. Since that time, action in the transport field has continued. All cases of discrimination notified to the High Authority have been dealt with by means of recommendations to the governments concerned, and the governments have without exception taken appropriate measures to get rid of them . In all, the first stage of the High Authority's action has changed the charges payable on the carriage of something like 45 million tons per annum.

The High Authority has not confined itself to abolishing these discriminations. The Treaty also provided for the abolition of extra charges levied on freights as they cross frontiers by the establishment of direct international tariffs. These extra charges have on the average made transport across a frontier much dearer than within a single country. Since the common market is increasingly leading Community consumers to depend on supplies travelling across frontiers the abolition of these extra charges by the establishment of direct international railway-rates is a major contribution to ending the artificial disadvantages which formerly existed.

On the other hand, to ensure competition on the common market the rules of operation relate to the structure of the market, since they prohibit cartels and agreements between enterprises tending to prevent, restrict, or distort the normal operation of competition, and make industrial concentrations of enterprises subject to prior authorization.

As regards coal, the High Authority has examined in great detail the activities of the big selling organization in the Ruhr, and of a number of others in Belgium and France, which are incompatible with the common market. The central selling agency of the Ruhr, the " Gemeinschaftsorganisation Ruhrkohle " was replaced at the beginning of this year by three independent selling agencies. Decisions are in preparation for the reorganization of the other cartels or monopolistic organizations operating in the common market for coal.

In order to adjust the size of the enterprises to the new conditions of the common market, it was equally necessary to apply the Treaty to industrial concentrations between enterprises. In a large market the formation of large-scale production units may be economically desirable, owing to the possibilities of progress thereby opened up through rationalization, modernization and lowering of production costs; but care has to be taken to see that such a movement towards concentration does not give to particular enterprises artificially privileged positions and monopoly powers.

The concentrations between producers which the High Authority has until now examined were mainly provoked by the desire to specialize, by harmonizing production programmes, or to rationalize,by setting up joint finishing-ends - for instance in connection with rolling-mills. The main effect of such action is to enable the concentrating enterprises to reduce their production costs and to avoid duplication in investments. In addition we may note a tendency for concentrating enterprises to protect themselves from market fluctuations by integrating the sources of raw materials, for instance coalmines and coking-plants, and finishing works, or tube-making works and wire-drawing works etc. The existence of the common market seems also to have had a particular influence on concentrations of collieries.

The enterprises wishing to concentrate vary considerably in size. Today, the smaller enterprises are finding themselves in competition with the bigger units of other Community countries. By concentrating, numbers of small enterprises are managing to improve their competitive position. The trend towards concentration would appear to have been encouraged by the Treaty's provisions on cartels.

The rules of operation, thirdly, forbid member States to distort competition by granting subsidies, imposing special charges, or introducing discriminatory provisions of any kind.

The High Authority had first to show up, and then to cut down the maze of regulations which existed at the opening of the common market.

Finally, the rules of operation involve a number of obligations on the High Authority. It is obliged to see that the proper conditions prevail, enabling competition to operate in the market, by the elimination of practices, situations and systems which contravene the Treaty. It is obliged to supervise the operation of the common market, which means to keep a constant check on whether the rules are being respected. It may impose fines upon enterprises, violating the provisions of the Treaty or its decisions.

It is obliged to take direct action by fixing of maximum or minimum prices, production quotas, consumption priorities and systems of allocation of the coal and steel resources of the Community or by establishing compensation schemes, should competition by itself prove inadequate to deal with the problems of common interest arising out of developments in the common market, as in the case of "manifest crisis" or "serious shortage".

The High Authority has made use of these possibilities in several cases. Whilst steel and iron-ore prices have been freely fixed by the enterprises themselves since the opening of the common market, maximum prices have been fixed for the Ruhr-coal, as long as the selling organization mentioned above had not yet undergone the change required by the Treaty. Since the transformation of this organization the maximum prices for Ruhr coal have been abolished. Maximum prices had also been fixed at the beginning for scrap. They have been abolished since a compensation scheme was set up to reduce the price of imported scrap.

In all these cases the High Authority has taken its decisions according to the state of the common market, while striving, as the Treaty requires, to keep direct action to a minimum.

In addition to these rules of operation, there are, as I have already mentioned, <u>rules of de-</u>

velopment serving as an extension of, and a supplement to the rules of operation. These rules of development make it the High Authority's right and duty to analyse and influence market developments, both short-term and long-term, with a view to promoting a steady and harmonious expansion of production.

Thus the direct action of the High Authority to implement the rules of operation will be the less required, the more successful is the implementation of the rules of development themselves.

The bases on which the rules of development are implemented is constituted by a permanent study of market development and price trends. Short-term guidance consists essentially in the periodic drawing-up of programmes giving forecasts for the guidance of production, consumption, exports and imports. The first forecast of this kind published by the High Authority at the beginning of this month covers the second quarter of 1956.

Long-term guidance can take several forms, the principal of which consists in the periodic setting-out of general objectives with respect to modernization, the long-term planning of production and the extension of productive capacity. The High Authority published its first general objectives in July 1955. The definition of these general objectives is itself the basis for the High Authority's action in regard to investments.

By virtue of Article 54 of the Treaty, firms must give prior notice to the High Authority of their investment plans. The High Authority examines these projects with regard to their conformity with its general objectives and may issue a formal opinion.

When it considers that the planned installation can only be operated with the help of subsidies, assistance, protective measures or discriminations contrary to the Treaty, the adverse opinion which it issues automatically prevents the firm from using any but its own funds in order to effect the programme.

Apart from requiring prior notice of investment plans, the High Authority undertakes a general inquiry at the beginning of each year on investments effected and underway.

Besides these means of guiding investment, the High Authority has at its disposal a more direct method of intervention: it can itself grant loans, or guarantee loans which were granted by other institutions to firms.

This investment policy can only be developed if sufficient funds are available to back it up. The Treaty gives the High Authority power to raise a levy on the value of the Community's enterprises of coal and steel production. This levy brought 55 million dollars in the last financial year. The proceeds of the levy have so far chiefly been used to build up a fund guaranteeing repayment of the loans which the High Authority contracts.

On the basis of the credit with which the fund provides it, the High Authority has already raised several loans, including one of 100 million dollars borrowed from the United States in 1954. In view of the shortage of capital which still exists in Europe, the High Authority's ability to raise loans on capital markets where credit is relatively cheap allows it to make a contribution towards improving conditions of financing in the Community area. The American loan was re-lent to the mining enterprises of the Community to enable them to reduce the production costs and increase the extraction of coking coal.

In the framework of long-term guidance the High Authority has also to encourage technical research work by co-ordination or by direct grants and is able by issuing official opinions to help popularize technical improvements in the interests of the Community as a whole. In the course of the last few months the High Authority has decided to contribute grants to a series of research projects.

Rules of operation and rules of development constitute a new economic order, the introduction of which has necessarily raised some problems of transition. I have already mentioned some of the transitional provisions of the Treaty, and I shall confine myself to mentioning just one more, which is particularly important, as it shows clearly the increasing solidarity between the countries of the European Coal and Steel Community. The Treaty provides for a special five-year compensation scheme to enable Belgian coal, - whose prices were at the opening of the common market considerably higher than the average prices of the other coal producing countries of the Community, - to be fully integrated into the common market. The funds necessary for the compensation are raised by a special levy on the coal production of Germany and the Netherlands, in order to enable the Belgian coal-mining industry after the necessary re-equipment, rationalization and reorganization to face competition within the common market at the end of the transition period of five years. A similar scheme has been adopted for the Italian coal-mines of Sulcis.

There is a third common characteristic of the growing new economic order which is inseparable from the other two. It is :

3) <u>The need for integration of the economic and social objectives of the common economic order.</u> The achievement of a large common market and the expansion of production in line with technical progress are not ends in themselves. They are only means for improving the lot of mankind in its economic environ-

ment by raising the general standard of living.

The pursuit of this ultimate aim is not only to improve the position of the individual as a consumer by providing him with better, cheaper and more abundant supplies, but it is also - to begin with in the coal-mining and iron and steel industries - to improve the position of the individual as a worker by affording him at the same time protection and better prospects in his job.

Any adjustment to a new situation demands technical and economic reconversions involving time and sacrifice. Progress has always to be paid for in this way under any economic system. The introduction and expansion of the common market has resulted or may result in new conditions calling for various kinds of adjustment and change whether immediate or gradual, radical or comparatively slight. Provisions have been made for the protection of the workers in order to ensure that they do not, as they often did in the past, have to bear all or most of the immediate social cost of these adjustments.

For this reason the Treaty provides for what it terms "readaptation" - arrangements to compensate workers compelled to change their jobs, to help in resettling and retraining them and if necessary to facilitate investments which would provide alternative gainful employment.

This provision has already been applied on a number of occasions. The trade situation being at present so favourable, the number of workers affected and the amount of money required each time were comparatively small; but psychologically the measures were most important in securing the agreement of the workers to changes without which it would not be possible to achieve any progress at all.

The French Government applied for and obtained financial assistance from the High Authority for the transfer of workers from the Southern coalfields to the collieries in Lorraine which are fast expanding. In France again the workers of a steel firm which has been formed by the merger of four small existing works and has to reconvert some of its production to engineering, have had their jobs and wages guaranteed and the opportunity offered them to attend occupational training courses throughout the conversion period. In other instances laid-off workers have been guaranteed one year's compensation allowances equal to approximately 60% of their previous salary and retraining facilities provided.

Similar action, varying each time according to circumstances, is envisaged or actually in hand in the Italian coal and steel industry and in certain Belgian pits that will have to close down.

As a rule readaptation expenses are, unless expressly stated otherwise, shared between the High Authority and the Government concerned. The High Authority can, though it has not yet done so, further contribute, by means of loans or guarantees, to the financing of the investments needed for re-employment of redundant workers, even in industries other than coal and steel.

These provisions of the Treaty are one of the most original and revolutionary elements of the common market. Already one of the governments of the member States very largely followed the model of the Community's readaptation rules in dealing with reconversion problems arising in industries which do not come under the Community's jurisdiction.

The Community is not called upon simply to provide protection. It also has to promote the interests of the workers in the industries under its jurisdiction. Indirect though its action has to be in this field, it is none the less real and effective. It amounts not so much to decisions in the sense of coercive action as to the various types of pressure and influence which may be exerted for example by both the High Authority and the Common Assembly.

The institutions of the Community are bound, each according to its own powers, to promote the improvement of the living and working conditions of the labour forces. As it is stated in Article 46 of the Treaty, in order to provide guidance for the action to be taken by all parties and to settle what line it proposes to take itself, the High Authority has to gather any information required to assess the possibilities of improving the living and working conditions of the labour forces.

Everything that has been done until now as regards publication of details on wages and terms of employment, encouragement of vocational training, building of workers' houses, industrial safety, health and medicine etc. has been undertaken in compliance with this obligation.

In this context I should not like to omit mention of the measures taken by the member States of the Community to allow freedom of movement throughout the territory to qualified workers in the coal-mining and iron and steel industries; in other words, apart from restrictions due to basic requirements of health or public order, that there may be no impediment or discrimination to stop workers with specified qualifications from applying for jobs in areas where general working conditions are better than in their own. This is so far only the first step in the direction of a "common market" for workers, which is essential to the satisfactory operation of the common market for products and the progressive harmonization of working conditions.

Like the objectives they are intended to achieve, all these measures in the social field have in themselves a two-fold character, economic and social. While aimed at improving the position of the individual in his work they are bound to entail an increase in the productivity and thereby in the real income of the worker and so to raise his purchasing power as a consumer.

So far I have given you an account of the main elements of the common market for coal and steel. I have described in broad outline the institutions and rules through which it is enabled to operate and to develop. I should now like to give you a brief survey of the influences which have been exercised by the introduction of the common market on the general evolution of the market situation.

As you all know 1953 and the beginning of 1954 were characterized in the Community as in most Western countries by a recession of varying degrees of severity.

The coal-mining and iron and steel industries, forming as they do, a very important sector of general economic activity and being both of them sensitive to fluctuations in the economic situation were naturally affected by this development.

There was an appreciable falling off in the new orders per month booked by the iron and steel industry - so much so that orders on the books fell from over 12 million tons at the end of 1952 to under 6 million tons at the end of 1953. Crude steel production dropped from 3.7 million tons per month for the last quarter of 1952 to 3.3 for the corresponding period in 1953.

As a result of the inelasticity of production which is a feature of the whole mining industry, the decline of hard coal extraction was only very slight, 237 million tons in 1953 as against 239 million in 1952. But the drop in demand caused pit-head stocks to increase in spite of the introduction of off-days in most of the Community coal-fields.

Despite this unfavourable economic situation the common market had begun to show its first results. Thus poor sales in the steel market impelled steel producers to explore the possibility provided by those areas of the Community where demand was still comparatively brisk, chiefly in Germany, the Netherlands and Italy,which countries had been less affected by the general tendency towards recession. The increased trade in iron and steel products shows that they were successful, because they were no longer running up against the barriers by which the various countries had previously sought at such times to safeguard their home markets. This stepping-up of trade unquestionably helped to check the recession.

In the coal market, in spite of the general decline, trade between the Community countries increased directly owing to the introduction of the common market, which removed the biggest obstacles to it. This enabled the piling up of stocks in the coalfields, where demand was particularly low, to be kept within bounds.

From the second quarter of 1954 onwards a general improvement in the economic situation became visible in all the countries of the Community, brought about by the upward trend in the building trade, the industries producing capital goods, and the motor industry.

This revival of economic activity in the Community countries coincided with the decline in the United States of America. This is worth emphasizing in view of the violent repercussions which slumps in the American economy always used to have on the national economies of Europe.

In the steel market demand rose rapidly. New orders increased first of all in Germany and Italy, where recession had been comparatively slight. The increase there was merely in home demand. Gradually however the trend became general and the other Community countries found not only home and third-country demand rising,but also more and more, demand from other countries of the Community. Orders came in faster in France with the Saar, Belgium and the Netherlands, particularly from the German Federal Republic. As new orders booked came to be in excess of deliveries by the works, orders on the books rose from 5.6 million tons at the end of the first quarter of 1954 to nearly 12 million by the end of that year and to over 14 million tons at the end of the last quarter of 1956. The increase in demand was followed after a certain timelag by an increase in production. In the last quarter of 1954 crude steel production was over 4 million tons per month, well above the previous record figure of 3.7 per month for the last quarter of 1952. In 1955 the total crude steel production of the Community attained 52.6 million tons as against 43.8 in 1954 and 41.8 in 1952 - an increase of more than 20 % over 1954 and nearly 26 % over 1952.

The recovery in general economic activity and more particularly the trend in the iron and steel sector had a very appreciable effect on the demand for coal. Parallel with the increase in production pit head stocks began to decrease. By the end of 1954 they were down by 2.5 million tons and amount today to only 2 million tons of high-grade coal.

As has already been remarked, the impetus behind this economic recovery came from outside the industries of the common market. Nevertheless, it would appear that the abolition of the principal obstacles to the movement of products within the common market helped to make its effect generally felt, first in regard to steel and then in regard to coal. Trade between the Community countries after increasing considerably even during the bad period of 1953, rose steadily throughout 1954 and 1955. The reason was that the common market enabled consumers to order from producers in areas where supply was still fairly elastic as a result of coal stocks being available and iron and steel production capacity not fully utilized.

If we take a general look at the evolution of trade between the Community countries we find that it has increased, since the opening of the common market, by the following percentages:

170 % for steel products, trade between the Community countries having increased from 2.1 million tons in 1952 to 5.7 million tons in 1955; 42.4 % for hard coal, from 16.3 million tons in 1952 to 23.2 million tons in 1955; 11 % for coke, from 8.1 million tons in 1952 to 9 million tons in 1955; 44 % for iron ore in which sector the trade has gone up from 9.4 million tons to 13.5 million tons; and finally 170 % for steel scrap, which is an increase from 432 000 tons to 1.2 million tons.

From the quantitive angle, therefore, the common market has twice, at two separate phases in the economic situation, been a factor making for a better overall equilibrium between resources and requirements and a better harmonization of trade.

The same factor may be found at work in regard to prices. It was the first time in several decades that such a marked expansion in the iron and steel industry had taken place under a price system in which the producers fix their price freely without interference from the authorities. The interpenetration and increasing transparency of the markets brought about by the applications of the rules concerning the publication of prices and conditions of sale and by the prohibition of discriminatory practices among both producers and consumers meant that the level of prices did not alter very much in 1954 and only rose by something like 5 % in 1955. In the old days at such times prices in the steel market used positively to rocket. The last time this happened was not so long ago. It was during the Korean boom of 1951-52 when certain consumers now belonging to the Community found that prices more than doubled in the space of twelve months.

Prices in the coal market have likewise remained fairly steady. The High Authority, in any case, as I have already mentioned, fixed maximum prices for the two biggest coal-fields of the Community. At the beginning of the coal-year of 1954-55 these maximum prices were retained for the coal-field of the Ruhr; they were also kept during 1955-56, at the end of which they have been abolished.

To sum up the experience gained during the first three years of the common market it is clear that, at any rate so far as short-term developments were concerned, the results were almost exactly those which had been expected from the broadening of the market and the application of common rules. The introduction of the common market did not involve any of the upheavals which had so often been predicted in certain quarters.

As to the long-term effects which must be considered, essentially in terms of improved productivity and distribution, they cannot, in the nature of things, become fully evident in a mere three years, particularly as for the last 40 or 50 years the industries now included in the common market were generally covered by a system of protective tariffs, the consequences of which cannot be done away within a period less than 1/10 of the time it has taken to realize that they must disappear. Again we must always bear in mind that this first European common market represents only a partial economic integration. A considerable portion of the economic circuit from the coal or steel producer to the final consumer of industrial products is not bound by the rules of the common market, but is still governed by whatever economic policy is followed by the different countries. Thus it is possible that advantages gained in the common market are being lost as the products pass in further stages of the economic circuit through the various channels of the national markets.

For this and other reasons we may conclude that it is necessary to go beyond the partial integration of which the European Coal and Steel Community is the first example. This first experiment has shown that it is indeed possible to unify limited, but essential sectors of intricate modern economies. But it has also proved that the sector-approach of integration raises difficult problems of harmonizing the policies of the integrated sectors and those still under the national systems. Increasing disharmonies might be created if such partial integration were multiplied in the industrial field, while other sectors of economic activity were left disintegrated.

Therefore the ministers of foreign affairs of the six member states of the Community, in a session they held in Messina in July of the last year, reached the conclusion that, if the sector approach is still valid for atomic energy, there must be set up a general common market in Europe. The European Coal and Steel Community has been able to deal with concrete problems of economic integration and to find a solution for them. The lessons and the knowledge thus gained in a limited field may now be used and adapted for the wider aim of a general European common market.